

Message Text

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73

ACTION EB-07

INFO OCT-01 ARA-10 ISO-00 FEA-01 AGRE-00 CEA-01 CIAE-00

COME-00 DODE-00 FRB-01 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-02 AID-05 CIEP-02 SS-15 STR-04

ITC-01 TRSE-00 USIA-15 PRS-01 SP-02 OMB-01 /095 W

----- 082499

R 121704Z NOV 76

FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC 5637

INFO AMEMBASSY GUATEMALA

AMEMBASSY MANAVUA

AMEMBASSY PANAMA

AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

UNCLAS SAN JOSE 5416

GUATEMALA ALSO FOR ROCAP

E.O. 11652: N/A

TAGS: ETRD, CS

SUBJECT: REDUCTION OF TAXES ON IMPORTS

REF: SAN JOSE A-11 OF 1/28/75 (NOTAL) AND SAN JOSE A-2 OF 1/8/76

1. THE COSTA RICAN GOVERNMENT, IN RECOGNITION OF ITS GREATLY IMPROVED BALANCE OF PAYMENTS POSITION, HAS REDUCED ITS SELECTIVE CONSUMPTION TAXES AND IMPORT SURCHARGES. THE CHANGES, WHICH WERE ANNOUNCED NOVEMBER 5 BY MINISTER OF FINANCE MORERA, ECONOMY MINISTER SANCHEZ AND CENTRAL BANK PRESIDENT JIMENEZ, REPRESENT A PARTIAL DISMANTLING OF A STRUCTURE OF SPECIAL TAXES IMPOSED BY COSTA RICA JANUARY 7, 1975, AND JANUARY 3, 1976. THE GOVERNMENT ESTIMATES THAT THE VOLUME OF IMPORTS AFFECTED FAVORABLY BY THE TAX REDUCTION WILL BE \$50 MILLION.

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2. CENTRAL BANK PRESIDENT JIMENEZ SAID THAT THE TAX

REDUCTIONS ARE BASED ON THREE GENERAL CRITERIA. FIRST, THE GOVERNMENT WANTED TO REDUCE THE PRICES OF SOME ARTICLES IN A WAY THAT WOULD FAVOR LOWER AND MIDDLE INCOME GROUPS. SECOND, THERE WAS A DESIRE TO REDUCE THE DUTIES ON SOME ARTICLES THAT WERE BEING SMUGGLED INTO THE COUNTRY. THIRD, THERE WAS A DESIRE TO REDUCE THE DUTIES ON CERTAIN IMPORTED ARTICLES BECAUSE THE PREVIOUS LEVELS OF DUTY PROVIDED AN EXCESSIVE LEVEL OF PROTECTION TO SIMILAR ARTICLES PRODUCED DOMESTICALLY. JIMENEZ SAID THAT COSTA RICA LOGICALLY NEEDS PROTECTION FOR ITS INDUSTRY BUT NOT SUPER PROTECTION OR EXAGGERATED PROTECTION.

3. THE CHANGES IN IMPORT SURCHARGES AFFECT A WHOLE RANGE OF PRODUCTS INCLUDING SUCH ITEMS AS FOOD PRODUCTS, BUILDING MATERIALS, CLOTHING, KITCHEN UTENSILS, RADIOS, TVS, PHONOGRAPHS AND TOYS. MANY SUCH ARTICLES THAT PREVIOUSLY WERE SUBJECT TO 30 PERCENT, 40 PERCENT OR 50 PERCENT SURCHARGES WILL NOW BE SUBJECT TO LOWER SURCHARGES MAINLY IN THE 10 PERCENT TO 20 PERCENT RANGE. ARTICLES PREVIOUSLY SUBJECT TO LOWER SURCHARGES OF 20 PERCENT OR 10 PERCENT WILL NOW PAY 10 PERCENT OR NOTHING AT ALL.

4. REDUCTIONS IN THE SELECTIVE CONSUMPTION TAX AFFECT AN EVEN BROADER RANGE OF PRODUCTS. TAXES THAT PREVIOUSLY RANGED FROM 10 PERCENT TO 100 PERCENT WERE IN MOST CASES REDUCED BY 10 TO 20 PERCENTAGE POINTS, BUT SOME TAXES WERE REDUCED BY AS MUCH AS 60 PERCENTAGE POINTS.

5. IT SHOULD BE NOTED THAT EVEN WITH THE TAX REDUCTIONS ANNOUNCED NOVEMBER 5, IMPORTS INTO COSTA RICA CONTINUE TO BE TAXED AT EXTREMELY HIGH RATES. THE TRADITIONAL TARIFFS AND SELECTIVE CONSUMPTION TAXES THAT EXISTED PRIOR TO JANUARY 7, 1975 WERE ALREADY HIGH. THE INCREASES THAT BECAME EFFECTIVE ON THAT DAY AND THE FURTHER INCREASES IN CONSUMPTION TAXES THAT BECAME EFFECTIVE JANUARY 3, 1976 AND THE IMPORT SURCHARGES, WHICH ALSO BECAME EFFECTIVE JANUARY 3, 1976, WERE NOT ELIMINATED BUT WERE MERELY REDUCED BY THE MEASURES JUST ANNOUNCED.

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6. THE EMBASSY IS FORWARDING BY AIRGRAM A COMPLETE LIST OF THE TAX CHANGES.
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Message Attributes

Automatic Decaptioning: X
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Copy: SINGLE
Draft Date: 12 NOV 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
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Film Number: D760424-0486
From: SAN JOSE
Handling Restrictions: n/a
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ISecure: 1
Legacy Key: link1976/newtext/t19761153/aaaabvt.tel
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04 MAY 2006

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